

## **Your Financial Future: A Guide to Life After Graduation, 1st Edition**

Published by A Life After Graduation, LLC 2005, 176 pages

Reviewed by

**Jacqueline Cooper** (jc41@sa.txstate.edu), Assistant Director, Admissions and School Relations, Texas State University-San Marcos

This book is a step-by-step financial guide that is not laden with cumbersome financial jargon. In other words, the book is easy to read and easy to understand. The eighteen chapters are very short and cover such topics as setting financial goals, calculating net worth, debt management, home equity, retirement, and estate planning. The topics actually follow an individual's lifespan as it relates to financial matters.

Chapter 1 suggests that individuals write down and prioritize financial goals. The chapter takes the reader through a step-by-step method of approaching this task, including such tips as finding a quiet place, spending time thinking about all of the things one wants to accomplish, and making a list. The list may include but is not limited to such topics as paying off student loans, getting out of debt, creating an emergency cash fund, traveling, and buying a car. The next step suggested is to prioritize the list by placing the most important needs first, reminding the reader that needs are often different from wants.

After finalizing and prioritizing goals, Chapter 2 examines budgeting. This chapter suggests that the reader create a sample budget. Items on the sample budget sheet include monthly income, monthly fixed income, yearly fixed expenses, and an income statement. The use of sample worksheets in Chapter 2 sets the tone for using worksheets throughout the rest of the book. The sample worksheets also make this book a good teaching resource for both students and teachers. Many of the chapters can be grouped and taught as a unit, making this book a good teaching resource.

There are several chapters that are vital to new graduates and can serve as gentle reminders to the rest of us as to what we should do to get and keep our own financial house in order. These include Chapter 4—Debt Management; Chapter 5—Credit Cards; Chapter 6—Student Loans; and Chapter 7—Credit Report.

Chapter 4 discusses the difference between “good” and “bad” debt. The author suggests that “good” debt returns something in the long run, such as a mortgage or a student loan. “Bad” debt, on the other hand, is short term debt, such as impulse credit card purchases. In proper debt management, the goal is to get rid of the “bad” debt; the author suggests several methods for doing so, including, but not limited to, eliminating credit cards, living within one's means, paying more than the minimum about due each

month, and selling things one does not need.

Chapter 5 addresses the value and proper use of credit cards. The value of credit cards is that they are good for emergency use, establishing credit, and providing budget flexibility. However, one should compare credit cards to learn the different rates for annual fees and interest rates.

In these times of rising tuition costs, it is safe to say that many students graduate from college burdened with student loans. Chapter 6, on student loans, discusses various types of loans available and the importance of knowing which loans one has because each has different requirements. The types of loans mentioned include Federal Stafford loans (subsidized and unsubsidized), Signature Student Loans, Perkins Loans, and the FFELP (Federal Family Education Loan Program). This chapter shares several repayment options: flex-pay (“interest only” payments for up to four years), income-based repay (payments calculated as a percentage of income), extended repayment (lenders may allow up to 25 years to repay), graduated plan (payments grow as incomes does), direct pay (an automatic payment drawn from a checking account each month), and net pay (an online payment option).

The author also discusses options for the deferment or forbearance of student loans. Qualifying reasons for deferments include unemployment, enrollment in school, a graduate fellowship, financial hardship, and enrollment in a rehabilitation program because of a disability. Forbearance allows temporary reduction or postponement of principle payments, not interest. The chapter concludes with a discussion of the advantages of student loan consolidation and the evils of defaulting on a loan.

Chapter 7 discusses the importance of a credit report and credit score. A credit report contains detailed history of all borrowing habits for the past seven years. A credit score is a calculation used to determine the financial risk one presents to various lending agents. This chapter asks the question, “What does a credit report say about a person?” Credit reports include personal information (name, address, Social Security number, date of birth), credit history (records of late payments to banks, credit card companies, retailers, and other lenders), public records (any debts owed to a creditor or tax agency that one failed to pay, and bankruptcy, or court judgments against a person), inquiries (who accessed one’s credit report), and current credit (amounts owed, amounts available, and payment amount on installment loans).

Other chapters with a sense of urgency for new graduates are Chapter 8, Identity Theft, and Chapter 13, Investing. The author states that according to the Federal Trade Commission, 43% of complaints filed with the agency in 2002 were identity theft reports. All of us, including recent college graduates, should take precautions to insure that we don’t become victims of this vicious crime. To minimize risk, the book suggests purchasing a shredder, being aware of billing cycles, never providing personal information, mailing bills from a post office, not giving out Social Security numbers, not carrying one’s Social Security card in a wallet, not allowing one’s Social Security number to be printed on checks, and removing one’s information from marketing databases.

The author also discusses Internet safety, suggesting that while on the Web, one

should protect his or her password, change the password frequently, invest in virus protection software, and install a firewall. The chapter concludes by providing readers with a variety of resources in case they should be the victim of identity theft.

In Chapter 12, the author states that investing may be a foreign concept to the average new college graduate; however, it is never too early to get started. This chapter defines savings as dollars put aside for emergencies or for very specific purposes. Investing is increasing one's net worth and meeting long-term financial goals. One of the most important concepts in this chapter is the fact that one doesn't need thousands of dollars to start investing if it is done early. New graduates are in the perfect position to take advantage of the "start investing early" concept. The author suggests that for as little as \$50 per month (automatically deducted from one's salary, if possible), one can start investing in things like certificate of deposits, money market accounts, bonds, stocks, IRAs, and mutual funds. Furthermore, when it comes to investing, it is important to know one's financial goals by answering the question, "What are you investing for?" Retirement? Vacation? Education—yours or your children's? How much can you actually invest? Should you use a full-service or a discount broker, a mutual fund company or even the Internet? The author states that it is important to know these answers because they can help determine which investing type to choose. Each investment type is different in terms of rate of return, withdrawal or early withdrawal penalties, etc.

Overall, this book is consistent with other financial resources. Its focus on young adults makes it a valuable, user-friendly resource for students and new graduates.